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SUBJECT: LIBERIA: RESULTS REPORT: IMPLEMENTATION OF THE KIMBERLEY
PROCESS CERTIFICATION SCHEME (KPCS) IN LIBERIA

11. SUMMARY: UN Sanctions on the Liberian diamond sector were lifted in April of this year following the Kimberley Process 3rd Expert Review Mission findings that Liberia met the minimum requirements of the KPCS. The mission report detailed further preparations necessary to ensure that internal controls were effective. From end May to early September, the USAID Office of Transition Initiatives (OTI) provided assistance to the Government Diamond Office (GDO), a part of the Ministry of Lands, Mines and Energy (MLME), targeted to support internal controls and procedures prior to lifting the government imposed diamond mining moratorium. A hotline for advice was installed; a public awareness campaign about new KP procedures was conducted in mining communities and some regional offices were opened. The GDO website remains under construction and work remains on the 'Chain of Custody' process with a supporting database. END SUMMARY.

Background

12. The Kimberley Process was established as an intergovernmental response to conflict diamonds entering the marketing chain. With a ban on diamond trading within the neighboring country of Ivory Coast still in place, the Liberian model for Kimberley compliance had to be more robust than normally accepted and is based on an advanced 'Chain of Custody' mechanism that is designed to ensure that rough diamond production is tracked from extraction to eventual export. This system works through a series of 10 regional offices located within the formal mining areas of Liberia. Production is verified at the regional office where vouchers for rough diamonds are issued to mining license holders. The voucher permits the producer to trade his diamonds within the network of authorized diamond dealers and brokers. The tracking system reinforces the newly constructed and equipped Government Diamond Office, the authority that will appraise the value for taxation and issue Kimberley Process certificates to parcels of diamonds destined for export.

13. The Kimberley Process Chairman noted that in Liberia the real work would begin following the lifting of sanctions and Liberia's formal admission to the KPCS. As sanctions were lifted the previous US Geological Service program expired. With key recommendation areas incomplete the need for Technical Assistance remains.

Purpose

14. OTI financed a short term consultant to support the efforts of the Government Diamond Office to comply with key KP recommendations prior to the lifting of the mining moratorium, prioritized as a) developing import procedures b) continued testing and fine tuning of Liberia's KP procedures c) training of database staff d) outreach and training activities for staff and stakeholders and e) the opening of the remaining regional offices. In addition the consultant was tasked to support MLME staff to incorporate other government agencies into the work of improved diamond governance, continue work on Mano River Union harmonization and become an active member of the KPCS Working Group of Artisanal/Alluvial producing

countries.

Study Tour

¶15. The consultant made an early visit to nine of the regional office sites to assess capacity of regional offices and officers as well as the level of stakeholder understanding of the new procedures. Of the 10 targeted, only four regional offices were complete, with staff and equipment deployed. Previous community awareness campaigns had focused solely on regional office locations. Surrounding communities had received little information.

OTI Grants

¶16. An expanded campaign to increase mining community awareness of new diamond governance procedures was financed under an OTI grant. A local theatre group, 'House of Freedom' toured communities around the regional office locations delivering focused drama to over 70 sites. Regional officers and GDO staff also participated in these events which greatly improved local understanding. The campaign also provided a telephone 'hotline to the GDO', with posters, signboards and fliers handed out by immigration to arriving passengers. The hotline has been accepted as a KP-recommended best practice for all member states.

¶17. Prior to the deployment of the drama group all Regional Officers attended a two-day workshop (funded through a second OTI grant) that focused on managing regional offices, developing confidence within the communities and the working relationship between other MLME

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field operatives. Confusion over overlapping roles was addressed; however, the relationship between Mining Agents, Mineral Inspectors and Regional Officers will require continued attention.

¶18. A third OTI grant, still being executed, increases lines of communication and transparency. Through the creation of a GDO web page it is anticipated that all procedures and license applications will be available on line. The networking of the GDO system is assisting database operators to have instant access to the system designer.

Achievements

¶19. Import Procedures. The Import Procedure was developed, circulated and accepted.

¶110. Diamond Tracking Procedures. Test runs continued, mineral vouchers reprinted, a hotline for advice developed, KP certificates produced, received and specimens circulated to KP together with all contact details. The mining moratorium was lifted at the end of July and licensing of diamond miners, dealers and brokers commenced.

¶111. Training Database staff. Database procedures reviewed and staff continued to update the database with direct assistance from database designers. With the lifting of the mining moratorium the system was cleared of test information and database staff began to enter live data.

¶112. Outreach and Training. Workshops with potential dealers, brokers and miners were completed in Monrovia. Regional officers continued to brief stakeholders in regional office areas with messages reinforced by the House of Freedom drama group. Training workshop for all regional officers were held in Monrovia.

¶113. Regional Office deployment. Some problems remain with the deployment of UNMIL containers at three original locations. The Kavalahun office will now be moved to Bambala, and the location of Camp Alpha has been finalized. Weasua remains inaccessible and the

container originally slated for Camp Alpha will be used to open an office in Sinoe. Temporary accommodation has been found in all locations and regional officers with necessary equipment have been deployed to all locations with the exception of Sinoe.

¶14. Incorporation of other government agencies. A request for the Ministry of Finance to supply one customs official to the GDO was granted. GDO staff and the customs official held a workshop at Robertsfield International Airport to brief customs officials and airport security on new procedures. All major border points in western and northern Liberia have been visited and representatives of government agencies briefed.

¶15. Mano River Union harmonization. The deputy minister made one visit to Sierra Leone as part of the Diamonds 4 Development support to Mano River Union harmonization.

¶16. KP working group. Liberian representatives participated in the Working Group of Alluvial/Artisanal Producers meetings held during the KP intercessional in Brussels in June.

Additional Issues

¶18. Independent Diamond Valuer (IDV). A tender document for the supply of independent diamond valuation and training services has been prepared and forwarded to the Public Procurement and Concessions Commission (PPCC). Interim IDV services have been provided to the GDO through the USAID GEMAP LIBAMM program to support newly trained GDO valuation staff during early exports.

¶19. Budget. The consultant assisted the GDO in the formation of its 2007 - 2008 budget application. The initial draw down of funds is awaiting final authorization within the MLME. Included in the budget are substantial salary increases for GDO staff and regional officers in keeping with KP recommendations and an allocation to pay for the procured IDV services

¶20. Chain of custody. The chain of custody remains potentially flawed if it is based on the immediate integrity of all diamond miners to report their production to the regional office. It is also dependent on all sales transactions being adequately recorded. Despite best intentions, the 20 regional officers cannot effectively manage this system on the front line. There is a need to increase the number of regional officers.

¶21. Other training needs. The workshop held with Regional Officers included a session to coordinate the activities of all field staff. The need to include ministry Mining Agents and Mineral Inspectors within training programs was evident to ensure a 'united' front. Mining Agents are the start of the mining license trail and Mineral Inspectors are responsible for ensuring operations are legal.

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¶22. First Export. Liberia has recently exported its first diamond parcel under KPCS. The parcel consisted of stocks accrued prior to the lifting of sanctions and as such were not verified by the chain of custody. The discussion on how to handle stocks and even uncertified production continues.

Necessary Actions

¶23. Support to Database and Chain of Custody. While GDO staff will continue to drive procedures upstream through direct contact with dealers and brokers, regional officers will be stretched to ensure all production is registered. With Liberia as a KP focus nation, a measured package of assistance designed to protect and develop the 'Chain of Custody' and the supporting database is necessary.

¶24. Benchmarks. There are a series of activities related to KP recommendations for which the Government of Liberia is directly responsible. An illustrative list includes, but is not limited to:

- GDO budget implemented
- Additional staff recruited (regional office coordinators and additional regional officers for Sinoe)
- Progress on the IDV tender
- Action on the Liberian Shipping Registry
- Invite KP review mission 2008

These items should be tasked as a series of performance benchmarks.

¶25. Extension services and benefits: The Diamonds for Development (D4D) initiative was developed by the Government of Liberia through the MLME in partnership with UNDP, highlighting the development of policies that return benefits to mining communities. This program must work closely with MLME in support of chain of custody within mining areas.

¶26. Presidential Task Force: A task force was established to oversee the implementation of the Kimberley Process in Liberia. Remaining work is now of a more technical nature and the task force should examine its future role. A possibility could be the establishment of an oversight board.

BOOTH